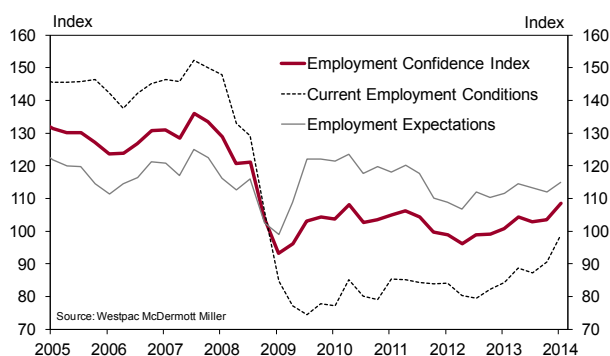


That's more like it

2014Q1 Westpac McDermott Miller Employment Confidence Index: 108.4

- New Zealanders' employment confidence rose in March to its highest level since the recession.
- Perceptions of job opportunities improved substantially, consistent with recent signs that firms are looking to step up hiring.
- More workers are reporting higher earnings, though this has not yet shown up in official wage measures.
- After a substantial delay, the labour market now is joining in the economy's general upturn. Nevertheless, conditions remain markedly weaker than they were before the recession, and progress to date has been gradual.

Employment confidence index



	Dec-13	Mar-14	Change
Employment Confidence Index	103.4	108.4	5.0
Present Conditions Index	90.6	98.8	8.2
Employment Expectations Index	111.9	114.8	2.9
Current job opportunities	-46.9	-32.0	14.9
Expected job opportunities	-3.4	-3.4	0.0
Past earnings growth	28.0	29.6	1.6
Expected earnings growth	29.3	31.1	1.9
Own job security	10.0	16.8	6.8

The fruits of New Zealand's economic upturn are increasingly becoming apparent to workers and jobseekers. The Westpac McDermott Miller Employment Confidence Index rose five points to 108.4 in the March quarter, reaching its highest level since the recession and Global Financial Crisis of 2008-09.

The March quarter survey found a particularly strong rise in perceptions of current job opportunities, which chimes with other indications that firms are back in hiring mode. Employment intentions in the monthly ANZ business confidence survey have risen sharply in the last year – reaching a record high in the last survey in February – while growth in online job advertisements has accelerated over the last six months.

We're also seeing a gradual uptick in the number of workers reporting a rise in earnings. That's yet to show up in a meaningful way in the official measures of wage growth, but this divergence can only last for so long. Evidence of a wage-price spiral – or lack of one – will be an important indicator of how far the Reserve Bank will need to go in its just-launched campaign to keep inflation in check.

The latest survey also demonstrates how the upturn has become more broad-based over the last year or so. In the March 2013 survey, Auckland and Canterbury were the only regions reporting net optimism. Today, most regions are reporting stronger labour market conditions, and even with the impetus of the post-earthquake rebuild, the Canterbury region no longer comes across as an outlier.

After a long delay, the labour market now is joining in the economy's general upturn in a meaningful way. Nevertheless, conditions are still markedly weaker than they were before the recession hit, and workers and jobseekers remain understandably cautious about the pace of improvement.

Survey details

The Westpac McDermott Miller Employment Confidence Index summarises responses to five questions: households' perceptions of current and future job opportunities in New Zealand, their own actual and expected earnings, and

expected changes in their own job security. The questions about current job opportunities and earnings are summarised in the Current Employment Conditions Index, while the questions about the year ahead are summarised in the Employment Expectations Index.

Further details about the individual questions are in the charts on page 3. The survey took place over the period 1-10 March, with a sample size of 1,594.

The March quarter results were either steady or stronger across all five questions. The biggest improvement by far was in current job opportunities, although this measure also remains the most depressed relative to its long-run average.

- The net percentage of people saying that jobs are easy rather than hard to get rose by 15 points to -32%. This was the least negative reading since December 2008, and the biggest one-quarter improvement in the ten-year history of this survey. This is the measure that correlates most closely with the unemployment rate, and suggests we can expect to see it nudge down into the high 5's over the first half of this year.
- Expectations of job opportunities over the coming year were a net -3%, unchanged from the December 2013 survey but up nine points compared to the March quarter last year.
- The net percentage reporting higher earnings over the last year has continued to creep higher, and has now topped the previous post-recession peak of 29% recorded in December 2011. The pickup in earnings growth remains somewhat at odds with the official pay measures – for instance, the Quarterly Employment Survey suggests that growth in average weekly earnings has slowed a little over the last couple of years.
- The net percentage expecting earnings to increase over the next year fell to 29%, the lowest since June 2012.
- Perceived job security rose from 10% to 16%, the highest since September 2009.

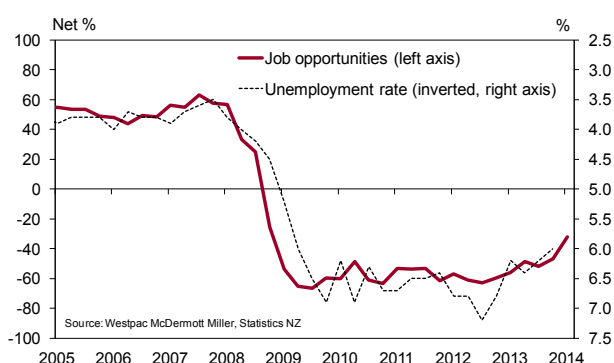
Confidence was up in most of the major regions, with small declines in Canterbury and Taranaki/Manawatu and a larger fall in the Bay of Plenty (the latter giving back a surprising jump in the December 2013 quarter). Cantabrians remain among the most optimistic about labour market conditions, but the gap with the rest of the country is narrowing – in the latest survey they were just pipped by the Waikato and only slightly ahead of Auckland. While job opportunities are still seen as strongest in Canterbury, reported and expected wage growth are now broadly in line with the rest of the country.

The rise in confidence was also consistent across gender, age and income levels. While the biggest increases were for the young and those on low incomes, this largely reversed the December quarter results where confidence among these groups had fallen sharply.

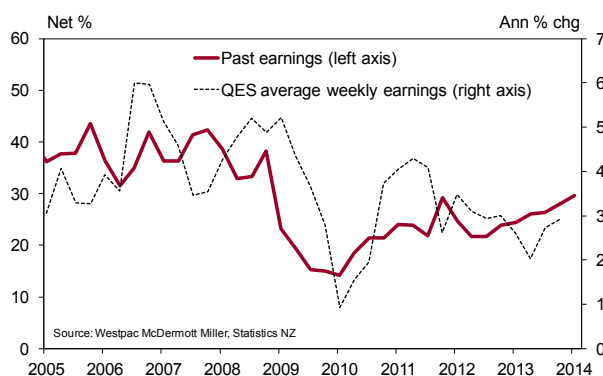
Employment Confidence by region

Region	Dec-13	Mar-14	Change
Northland	99.0	102.0	3.0
Auckland	103.3	113.1	9.8
Waikato	96.3	115.2	18.9
Bay of Plenty	110.8	96.1	-14.7
Gisborne/Hawkes Bay	94.5	104.2	9.8
Taranaki/Manawatu	99.8	97.8	-2.1
Wellington	104.0	104.4	0.5
Nelson/Marlborough/Westland	103.3	106.5	3.2
Canterbury	115.0	114.0	-1.0
Otago	96.2	103.2	7.0
Southland	96.1	103.8	7.7

Reported job opportunities and unemployment

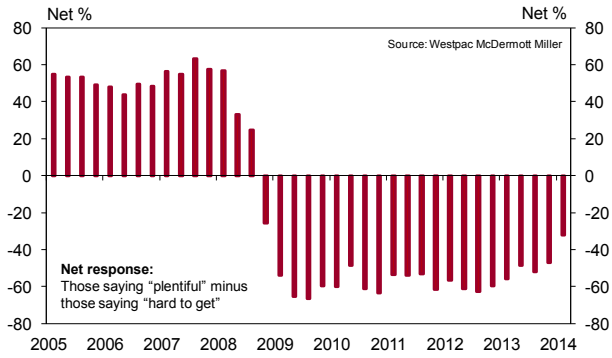


Reported earnings and wage inflation

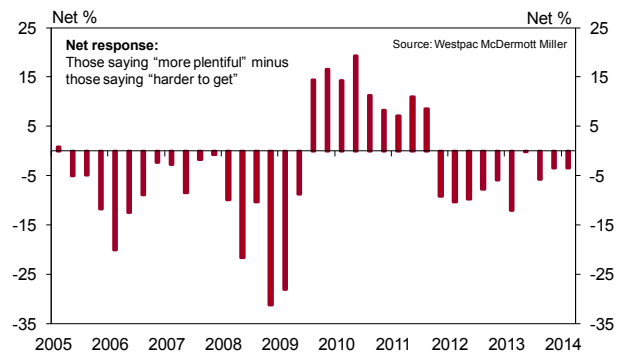


Michael Gordon
Senior Economist

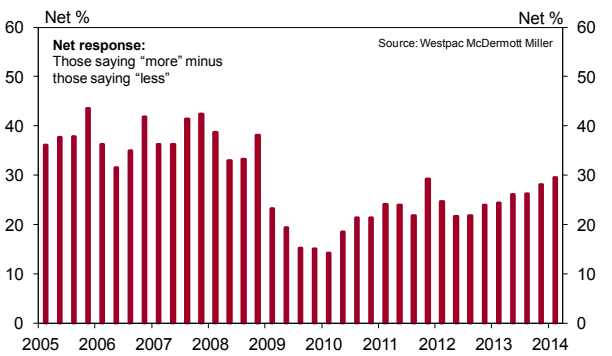
Do you think jobs are plentiful or hard to get in NZ?



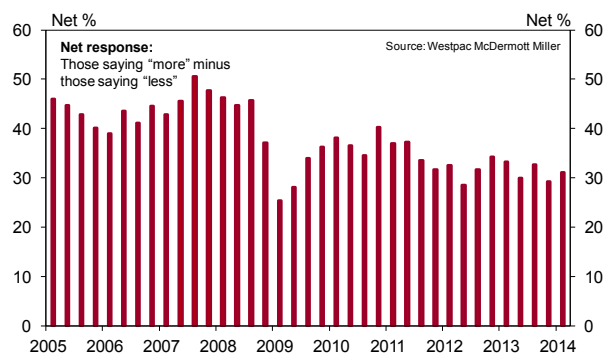
Job opportunities in NZ in a year's time



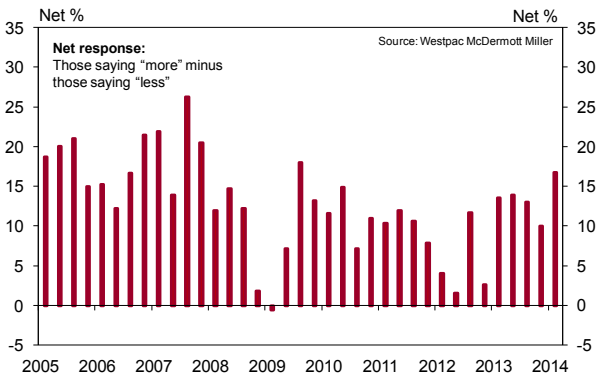
Earnings in paid work compared to last year



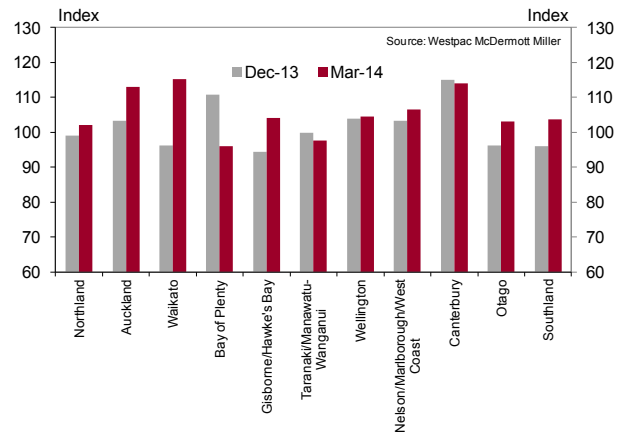
Earnings in paid work this time next year



Personal job security over the coming year



Employment confidence by region



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